

**REPORT OF THE AUDIT OF THE
CHRISTIAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CHRISTIAN COUNTY FISCAL COURT

June 30, 2005

The Auditor of Public Accounts has completed the audit of the Christian County Fiscal Court for fiscal year ended June 30, 2005. We have issued an unqualified opinion on governmental activities, business-type activities, and each major fund.

Financial Condition:

The fiscal court had net assets of \$17,226,341 as of June 30, 2005. The fiscal court had unrestricted net assets of \$6,434,791 in its governmental activities as of June 30, 2005, with total net assets of \$17,017,443. In its enterprise fund, total net cash and cash equivalents were \$27,159 with total net assets of \$208,898. The fiscal court had total debt principal as of June 30, 2005 of \$23,689,265 with \$1,129,637 due within the next year.

Deposits:

As of June 30, 2005, the fiscal court's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of Christian County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Christian County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Christian County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Christian County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 28, 2006, on our consideration of Christian County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 28, 2006

CHRISTIAN COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

Steve Tribble	County Judge/Executive
William H. Bruce	Magistrate
Mark E. Cansler	Magistrate
Thomas C. Jones	Magistrate
Lewis Everett Croft	Magistrate
Myron Dossett	Magistrate
James E. Fleming	Magistrate
Cleatus Edwin Long	Magistrate
Howard R. Pettus	Magistrate

Other Elected Officials:

J. Michael Foster	County Attorney
Lewis L. Leavell, Jr.	Jailer
Michael A. Kem	County Clerk
Gary Haddock	Circuit Court Clerk
William E. Gloyd	Sheriff
Mills Foster	Property Valuation Administrator
Dorris L. Lamb	Coroner

Appointed Personnel:

Frank Mason	County Treasurer
Nita K. Leavell	Finance Officer

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EXECUTIVE OFFICES

CHRISTIAN COUNTY

STEVE TRIBBLE
COUNTY JUDGE EXECUTIVE

515 WEBER STREET
HOPKINSVILLE, KENTUCKY 42240

TELEPHONE
270-887-4100
FAX
270-885-7501

Management's Discussion and Analysis June 30, 2005

The financial management of Christian County, Kentucky offers readers of Christian County's financial statements this narrative overview and analysis of the financial activities of Christian County for the fiscal year ended June 30, 2005.

Financial Highlights

- Christian County had net assets of \$17,226,341 as of June 30, 2005. The fiscal court had unrestricted net assets of \$6,434,791 in the governmental activities as of June 30, 2005, with total net assets of \$17,017,443. In the enterprise fund, cash and cash equivalents were \$27,159 with total assets of \$208,898. Total debt for governmental activities principal as of June 30, 2005 was \$23,689,265 with \$1,129,637 due within one year.
- The governmental activities' total net assets increased by \$2,470,368 from the prior year. This increase is primarily due to unanticipated receipts and debt reduction that was greater than depreciation of the capital assets.
- At the close of the current fiscal year, Christian County governmental funds reported cash and cash equivalents of \$5,425,287. Of this amount, \$4,906,198 is available for spending at the government's discretion (unreserved fund balance).
- Christian County's total indebtedness at the close of fiscal year June 30, 2005 was \$23,689,265, of which \$22,559,628 was long-term debt (due after 1 year) and \$1,129,637 was short-term debt (to be paid within 1 year). Debt additions were \$216,306, and debt reductions were \$1,095,957 for a net decrease of \$879,651 for the year.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Christian County's basic financial statements. Christian County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Christian County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Christian County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Christian County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Christian County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Christian County's governmental activities include general government, protection to persons and property, general health and sanitation, roads, recreation and culture, social services, airports, debt service, and capital projects. Christian County has one business type activity - Jail Canteen.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Christian County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Christian County can be divided into broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

**Christian County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Governmental Funds (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Christian County maintains (8) eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- Local Government Economic Assistance Fund
- Revolving Loan Fund
- E-911 Fee Fund
- Industrial Authority Revolving Loan Fund
- Christian County Public Courthouse Corporation

Christian County adopts an annual appropriated budget for its major governmental funds except for the Public Courthouse Corporation Fund and the Industrial Authority Revolving Loan Fund, which were not budgeted by the fiscal court. A budgetary comparison statement has been provided for each of the budgeted funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Internal Service Funds. Internal Service funds provide a service to the primary government. The Christian County Health Insurance Fund accounts for all the activity of the self-insurance plan.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Christian County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Net Assets. Net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Christian County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Assets						
Current and other assets	\$ 4,937,184	\$ 6,434,791	\$ 124,165	\$ 27,159	\$ 5,061,349	\$ 6,461,950
Net Capital Assets	34,178,807	34,271,917	127,279	181,739	34,306,086	34,453,656
Total Assets	<u>\$ 39,115,991</u>	<u>\$ 40,706,708</u>	<u>\$ 251,444</u>	<u>\$ 208,898</u>	<u>\$ 39,367,435</u>	<u>\$ 40,915,606</u>
Liabilities						
Current and other Liabilities	\$ 1,093,488	\$ 1,129,637	\$	\$	\$ 1,093,488	\$ 1,129,637
Long-term Liabilities	23,475,428	22,559,628			23,475,428	22,559,628
Total Liabilities	<u>\$ 24,568,916</u>	<u>\$ 23,689,265</u>	<u>\$</u>	<u>\$</u>	<u>\$ 24,568,916</u>	<u>\$ 23,689,265</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$ 9,609,891	\$ 10,582,652	\$ 127,279	\$ 181,739	\$ 9,737,170	\$ 10,764,391
Unrestricted	4,937,184	6,434,791	124,165	27,159	5,061,349	6,461,950
Total Net Assets	<u>\$ 14,547,075</u>	<u>\$ 17,017,443</u>	<u>\$ 251,444</u>	<u>\$ 208,898</u>	<u>\$ 14,798,519</u>	<u>\$ 17,226,341</u>

Changes in Net Assets.

Governmental Activities. Christian County's net assets increased by \$2,470,368 in fiscal year 2005. Key elements of this are as follows:

- Current assets increased \$1,497,607, due to unexpected miscellaneous revenues.
- Investment in capital assets and infrastructure, net of related debt increased \$972,761.
- Current and long-term liabilities decreased by \$879,651.
- General revenues were \$5,116,520 and total revenues were \$15,705,923 as reflected in the Statement of Activities
- Expenditures totaled \$13,235,555 as reflected in the Statement of Activities.

Business-type Activities. Christian County's net assets decreased by \$42,546 in fiscal year 2005. Key elements are as follows:

- Current assets and cash decreased by \$97,006.
- Investment in capital assets increased \$54,460.
- Total revenue was \$596,521 as reflected in the Statement of Activities.
- Expenditures totaled \$639,072 as reflected in the Statement of Activities.

**Christian County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Financial Analysis of the County's Funds

**Table 2
Christian County's Comparison
of General Revenue by Source and
Program Expenses by Function**

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Program Revenues						
Charges for Services	\$ 4,381,971	\$ 6,593,721	\$ 545,605	\$ 596,421	\$ 4,927,576	\$ 7,190,142
Operating Grants and Contributions	3,073,457	1,922,547			3,073,457	1,922,547
Capital Grants and Contributions	2,005,684	2,073,135			2,005,684	2,073,135
General Revenues						
Taxes	3,391,998	3,641,250			3,391,998	3,641,250
Miscellaneous and Other	2,008,618	1,475,270	117	105	2,008,735	1,475,375
Total Revenue	<u>14,861,728</u>	<u>15,705,923</u>	<u>545,722</u>	<u>596,526</u>	<u>15,407,450</u>	<u>16,302,449</u>
Expenses						
General Government	4,590,390	4,196,616			4,590,390	4,196,616
Protection to Persons and Property	4,615,525	4,948,553			4,615,525	4,948,553
General Health and Sanitation	191,253	230,678			191,253	230,678
Social Services	89,852	60,877			89,852	60,877
Recreation and Culture	166,910	164,908			166,910	164,908
Roads	1,409,025	1,305,946			1,409,025	1,305,946
Airports	28,250	25,863			28,250	25,863
Debt Service	1,261,715	1,155,411			1,261,715	1,155,411
Capital Projects	871,204	1,146,703			871,204	1,146,703
Jail Canteen	0	0	503,183	639,072	503,183	639,072
Total Expenses	<u>13,224,124</u>	<u>13,235,555</u>	<u>503,183</u>	<u>639,072</u>	<u>13,727,307</u>	<u>13,874,627</u>
Change In Net Assets	1,637,604	2,470,368	42,539	-42,546	1,680,143	2,427,822
Net Assets - Beginning	<u>12,909,471</u>	<u>14,547,075</u>	<u>208,905</u>	<u>251,444</u>	<u>13,118,376</u>	<u>14,798,519</u>
Net Assets - Ending	<u>\$ 14,547,075</u>	<u>\$ 17,017,443</u>	<u>\$ 251,444</u>	<u>\$ 208,898</u>	<u>\$ 14,798,519</u>	<u>\$ 17,226,341</u>

**Christian County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Financial Analysis of the County's Funds (Continued)

Governmental Funds Overview. As of the end of June 2005 fiscal year, the combined ending fund balances of County governmental funds were \$5,425,287. Approximately 90% (\$4,906,198) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$519,089) is reserved to indicate that it is not available for new spending because it is committed for the various encumbrances.

As noted earlier, the County has (8) eight major governmental funds.

1. The General Fund is the chief operating fund of Christian County. At the end of June 30, 2005 fiscal year, unreserved fund balance of the General Fund was \$2,499,833. The County received \$3,765,353 in real and personal property, motor vehicle, and other taxes for approximately 59% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 41% of revenues. There was a significant budget variance in General Fund revenues.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road Fund had a \$73,141 fund balance at June 30, 2005. The fiscal year 2005 expenditures for the Road Fund were \$1,830,327.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a balance at June 30, 2005 of \$587,783. The Jail Fund received \$3,810,977 for intergovernmental fees, primarily for housing prisoners. The General Fund contributed \$448,000 to the jail operations.
4. The Local Government Economic Assistance Fund had a balance of \$11,002 as of June 30, 2005. These funds are held for economic development.
5. The Revolving Loan Fund had a balance of \$515,566. These funds are used to make loans to local businesses.
6. The E-911 Fee Fund had a fund balance of \$1,086,948. These funds are used for 911 services.
7. The Industrial Authority Revolving Loan Fund had a fund balance \$145,251 as of June 30, 2005. These funds are held for loans to local businesses.
8. The Christian County Public Courthouse Corporation Fund had a fund balance of \$314,303 as of June 30, 2005.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Christian County has (1) one enterprise-type proprietary fund, which is:

- Jail Canteen Fund

**Christian County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Financial Analysis of the County's Funds (Continued)

The Jail Canteen Fund's unrestricted net assets at the end of June 30, 2005 fiscal year, amounted to \$27,159 and total assets were \$208,898.

Internal Service Fund Overview. Christian County maintains (1) one internal service fund, which is:

- Health Insurance Fund.

The Health Insurance Fund's unrestricted total assets at the end of June 30, 2005 were \$590,090.

Capital Assets and Debt Administration

Capital Assets. Christian County's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amount to \$34,453,656 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, and construction in progress for park improvements.

Major capital asset events during the 2005 fiscal year included the road operations and the purchase of several vehicles.

Additional information about the County's capital assets can be found in Note 4 of this report.

**Table 3
Christian County's Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Assets						
Infrastructure						
Assets	\$ 3,329,103	\$ 3,630,716	\$	\$	\$ 3,329,103	\$ 3,630,716
Land	2,263,092	2,263,092			2,263,092	2,263,092
Construction						
In Progress	367,345	44,753			367,345	44,753
Buildings	27,000,574	26,965,018			27,000,574	26,965,018
Furniture and						
Fixtures	236,072	179,279			236,072	179,279
Land						
Improvements	67,537	101,111			67,537	101,111
Vehicles and						
Equipment	915,084	1,087,948	127,279	181,739	1,042,363	1,269,687
Total Net						
Capital Assets	<u>\$ 34,178,807</u>	<u>\$ 34,271,917</u>	<u>\$ 127,279</u>	<u>\$ 181,739</u>	<u>\$ 34,306,086</u>	<u>\$ 34,453,656</u>

**Christian County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Capital Assets and Debt Administration (Continued)

Long-Term Debt. At the end of the 2005 fiscal year, Christian County had total bonded debt outstanding of \$20,395,000 from General Obligation Bonds. The County had financing agreements totaling \$3,294,265.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2006 fiscal year budget:

- The 2006 fiscal year adopted budget continues most services at current levels.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, will have a negative impact on funding for county programs.
- Economic factors indicate continued growth for Christian County.

Requests For Information

This financial report is designed to provide a general overview of Christian County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided herein or requests for additional financial information should be addressed to the Christian County Treasurer, 521 Weber Street, Hopkinsville, KY, 42240.

CHRISTIAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

CHRISTIAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,015,377	\$ 27,159	\$ 6,042,536
Notes Receivable Due Within One Year	66,296		66,296
Total Current Assets	<u>6,081,673</u>	<u>27,159</u>	<u>6,108,832</u>
Noncurrent Assets:			
Notes Receivable Due In More Than One Year	353,118		353,118
Capital Assets - Net of Accumulated Depreciation			
Land	2,263,092		2,263,092
Land Improvements	101,111		101,111
Construction in Progress	44,753		44,753
Buildings	26,965,018		26,965,018
Furniture and Office Equipment	179,279		179,279
Vehicles and Equipment	1,087,948	181,739	1,269,687
Infrastructure Assets - Net of Depreciation	<u>3,630,716</u>		<u>3,630,716</u>
Total Noncurrent Assets	<u>34,625,035</u>	<u>181,739</u>	<u>34,806,774</u>
Total Assets	<u>40,706,708</u>	<u>208,898</u>	<u>40,915,606</u>
LIABILITIES			
Current Liabilities:			
Bonds Payable	875,000		875,000
Financing Obligations Payable	254,637		254,637
Total Current Liabilities	<u>1,129,637</u>		<u>1,129,637</u>
Noncurrent Liabilities:			
Bonds Payable	19,520,000		19,520,000
Financing Obligations Payable	3,039,628		3,039,628
Total Noncurrent Liabilities	<u>22,559,628</u>		<u>22,559,628</u>
Total Liabilities	<u>23,689,265</u>		<u>23,689,265</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	10,582,652	181,739	10,764,391
Unrestricted	<u>6,434,791</u>	<u>27,159</u>	<u>6,461,950</u>
Total Net Assets	<u>\$ 17,017,443</u>	<u>\$ 208,898</u>	<u>\$ 17,226,341</u>

The accompanying notes are an integral part of the financial statements.

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CHRISTIAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005

CHRISTIAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 4,196,616	\$ 1,634,098	\$ 1,295,420	\$ 484,737
Protection to Persons and Property	4,948,553	4,900,449	360,924	121,408
General Health and Sanitation	230,678	59,174		
Social Services	60,877			
Recreation and Culture	164,908			
Roads	1,305,946		266,203	1,466,990
Airports	25,863			
Interest on Long-term Debt	1,155,411			
Capital Projects	1,146,703			
Total Governmental Activities	13,235,555	6,593,721	1,922,547	2,073,135
Business-type Activities:				
Jail Canteen	639,072	596,421		
Total Business-type Activities	639,072	596,421		
Total	\$ 13,874,627	\$ 7,190,142	\$ 1,922,547	\$ 2,073,135

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Other Taxes

E-911 Fee

In Lieu of Tax

Sheriff/Clerk 25% Account

Miscellaneous Revenues

Telephone Commissions

Reimbursements

Insurance Proceeds (Claims)

Interest Received

Financing Obligation Payments Made By Sheriff

Gain on Capital Assets Traded

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Totals
\$ (782,361)	\$	\$ (782,361)
434,228		434,228
(171,504)		(171,504)
(60,877)		(60,877)
(164,908)		(164,908)
427,247		427,247
(25,863)		(25,863)
(1,155,411)		(1,155,411)
(1,146,703)		(1,146,703)
(2,646,152)		(2,646,152)
	(42,651)	(42,651)
	(42,651)	(42,651)
(2,646,152)	(42,651)	(2,688,803)
2,343,073		2,343,073
437,487		437,487
255,450		255,450
605,240		605,240
356,970		356,970
172,191		172,191
384,840		384,840
111,367		111,367
212,144		212,144
95,215		95,215
24,359		24,359
75,241	105	75,346
28,227		28,227
14,716		14,716
5,116,520	105	5,116,625
2,470,368	(42,546)	2,427,822
14,547,075	251,444	14,798,519
\$ 17,017,443	\$ 208,898	\$ 17,226,341

The accompanying notes are an integral part of the financial statements.

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CHRISTIAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

CHRISTIAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Revolving Loan Fund
ASSETS					
Cash and Cash Equivalents	\$ 2,691,293	\$ 73,141	\$ 587,783	\$ 11,002	\$ 515,566
Total Assets	<u>\$ 2,691,293</u>	<u>\$ 73,141</u>	<u>\$ 587,783</u>	<u>\$ 11,002</u>	<u>\$ 515,566</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 191,460	\$ 45,684	\$ 272,582	\$	\$
Unreserved:					
General Fund	2,499,833				
Special Revenue Funds		27,457	315,201	11,002	515,566
Debt Service Fund					
Total Fund Balances	<u>\$ 2,691,293</u>	<u>\$ 73,141</u>	<u>\$ 587,783</u>	<u>\$ 11,002</u>	<u>\$ 515,566</u>

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2005
(Continued)

E-911 Fee Fund	Industrial Authority Revolving Loan Fund	Public Courthouse Corporation Fund	Total Governmental Funds
\$ 1,086,948	\$ 145,251	\$ 314,303	\$ 5,425,287
<u>\$ 1,086,948</u>	<u>\$ 145,251</u>	<u>\$ 314,303</u>	<u>\$ 5,425,287</u>
\$ 9,363	\$	\$	\$ 519,089
			2,499,833
1,077,585	145,251		2,092,062
		314,303	314,303
<u>\$ 1,086,948</u>	<u>\$ 145,251</u>	<u>\$ 314,303</u>	<u>\$ 5,425,287</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets

Total Fund Balances	\$ 5,425,287
Notes Receivable	419,414
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	40,187,215
Accumulated Depreciation	(5,915,298)
Internal Service Fund Is Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Assets and Liabilities Are Included in Governmental Activities on the Statement of Net Assets	590,090
Long- term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Due Within One Year - Bonds and Financing Obligations Principal Payments	(1,129,637)
Due in More Than One Year - Bonds and Financing Obligations Principal Payments	<u>(22,559,628)</u>
Net Assets of Governmental Activities	<u>\$ 17,017,443</u>

The accompanying notes are an integral part of the financial statements.

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CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 3,593,162	\$	\$	\$
In Lieu Tax Payments	172,191			
Excess Fees	384,840			
Licenses and Permits	70,752			
Intergovernmental	1,784,184	1,675,143	3,810,977	258,754
Charges for Services	214,204		1,393,384	
Miscellaneous	162,658	62,774	242,678	
Interest	42,086	4,454	7,449	102
Total Revenues	<u>6,424,077</u>	<u>1,742,371</u>	<u>5,454,488</u>	<u>258,856</u>
EXPENDITURES				
General Government	1,674,804			36,812
Protection to Persons and Property	759,280		3,838,683	
General Health and Sanitation	216,546			
Social Services	38,802			
Recreation and Culture	151,716			
Roads		1,318,991		253,201
Airports	25,863			
Debt Service	24,895		698,291	
Capital Projects	832,409	274,224	40,070	
Administration	1,336,409	237,112	948,800	
Total Expenditures	<u>5,060,724</u>	<u>1,830,327</u>	<u>5,525,844</u>	<u>290,013</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,363,353</u>	<u>(87,956)</u>	<u>(71,356)</u>	<u>(31,157)</u>
Other Financing Sources (Uses)				
Financing Agreement Proceeds	176,236		40,070	
Transfers from Other Funds	12,267	150,000	448,000	
Transfers to Other Funds	(604,231)		(63,925)	
Total Other Financing Sources (Uses)	<u>(415,728)</u>	<u>150,000</u>	<u>424,145</u>	
Net Change in Fund Balances	947,625	62,044	352,789	(31,157)
Fund Balances - Beginning (Restated)	<u>1,743,668</u>	<u>11,097</u>	<u>234,994</u>	<u>42,159</u>
Fund Balances - Ending	<u>\$ 2,691,293</u>	<u>\$ 73,141</u>	<u>\$ 587,783</u>	<u>\$ 11,002</u>

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Revolving Loan Fund	E-911 Fee Fund	Industrial Authority Revolving Loan Fund	Public Courthouse Corporation Fund	Total Governmental Funds
\$	\$ 356,970	\$	\$	\$ 3,950,132
				172,191
				384,840
				70,752
			1,380,778	8,909,836
				1,607,588
		106,198		574,308
3,193	12,646	107	5,204	75,241
<u>3,193</u>	<u>369,616</u>	<u>106,305</u>	<u>1,385,982</u>	<u>15,744,888</u>
15,000				1,726,616
	290,607			4,888,570
				216,546
				38,802
				151,716
				1,572,192
				25,863
			1,450,988	2,174,174
				1,146,703
				2,522,321
<u>15,000</u>	<u>290,607</u>		<u>1,450,988</u>	<u>14,463,503</u>
(11,807)	79,009	106,305	(65,006)	1,281,385
				216,306
			70,156	680,423
			(12,267)	(680,423)
			<u>57,889</u>	<u>216,306</u>
(11,807)	79,009	106,305	(7,117)	1,497,691
<u>527,373</u>	<u>1,007,939</u>	<u>38,946</u>	<u>321,420</u>	<u>3,927,596</u>
<u>\$ 515,566</u>	<u>\$ 1,086,948</u>	<u>\$ 145,251</u>	<u>\$ 314,303</u>	<u>\$ 5,425,287</u>

The accompanying notes are an integral part of the financial statements.

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CHRISTIAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

CHRISTIAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 1,497,691
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	1,214,338
Construction in Progress	44,753
Depreciation Expense	(1,171,064)
Gain on Capital Assets Traded	14,716
Book Value of Capital Assets Disposed	(9,632)
Notes Receivable Principal Received	(79,330)
Internal Service Funds Are Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Net Revenues (Expenses) of This Fund Are Reported with Governmental Activities.	
	79,245
The Issuance of Long-term Debt (e.g. Bonds, Leases) Provides Current Financial Resources to Governmental Funds. These Transactions, However, Have No Effect on Net Assets.	
Financing Obligation- Sheriff's Office	(176,236)
Financing Obligation- Jail	(40,070)
Financing Obligation Payments Made by Sheriff's Office	28,227
Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources.	
Bond Payments	840,000
Financing Obligations	<u>227,730</u>
Change in Net Assets of Governmental Activities	<u>\$ 2,470,368</u>

The accompanying notes are an integral part of the financial statements.

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CHRISTIAN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2005

CHRISTIAN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2005

	<u>Business-type Activity</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Jail Canteen Fund</u>	<u>Health Insurance Fund</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 27,159	\$ 590,090
Total Current Assets	<u>27,159</u>	<u>590,090</u>
Noncurrent Assets:		
Capital Assets:		
Vehicles and Equipment	233,777	
Less Accumulated depreciation	<u>(52,038)</u>	
Total Noncurrent Assets	<u>181,739</u>	
Total Assets	<u>208,898</u>	<u>590,090</u>
Net Assets		
Invested in Capital Assets	181,739	
Unrestricted	<u>27,159</u>	<u>590,090</u>
Total Net Assets	<u>\$ 208,898</u>	<u>\$ 590,090</u>

The accompanying notes are an integral part of the financial statements.

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CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	<u>Business-type Activity</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Jail Canteen Fund</u>	<u>Health Insurance Fund</u>
Operating Revenues		
Canteen Receipts	\$ 596,421	\$
Reimbursements		609,077
Total Operating Revenues	<u>596,421</u>	<u>609,077</u>
Operating Expenses		
Cost of Sales	513,338	
Educational and Recreational	102,392	
Depreciation	22,503	
Administrative		531,318
Miscellaneous	839	
Total Operating Expenses	<u>639,072</u>	<u>531,318</u>
Operating Income (Loss)	<u>(42,651)</u>	<u>77,759</u>
Nonoperating Revenues (Expenses)		
Interest Income	105	1,486
Inmate Pay From State	4,586	
Inmate Refunds	(4,586)	
Net Nonoperating Revenues (Expenses)	<u>105</u>	<u>1,486</u>
Change In Net Assets	(42,546)	79,245
Total Net Assets - Beginning (Restated)	<u>251,444</u>	<u>510,845</u>
Total Net Assets - Ending	<u><u>\$ 208,898</u></u>	<u><u>\$ 590,090</u></u>

The accompanying notes are an integral part of the financial statements.

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CHRISTIAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

CHRISTIAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-type Activity	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Jail Canteen Fund	Health Insurance Fund
Cash Flows From Operating Activities		
Receipts From Customers	\$ 596,421	\$
Reimbursements		609,077
Cost of Sales	(513,338)	
Educational and Recreational	(102,392)	
Administrative		(531,318)
Miscellaneous	(839)	
Net Cash Provided (Used) By Operating Activities	<u>(20,148)</u>	<u>77,759</u>
Cash Flows From Noncapital Financing Activities		
Inmate Pay From State	4,586	
Inmate Refunds on Accounts	(4,586)	
Net Cash Provided By Noncapital Financing Activities	<u>0</u>	<u>0</u>
Cash Flows From Capital and Related Financing Activities		
Capital Assets	(76,963)	
Net Cash Used By Capital and Related Financing Activities	<u>(76,963)</u>	
Cash Flows From Investment Activities		
Interest Earned	105	1,486
Net Cash Provided By Investment Activities	105	1,486
Net Increase (Decrease) in Cash and Cash Equivalents	(97,006)	79,245
Cash and Cash Equivalents - July 1, 2004	124,165	510,845
Cash and Cash Equivalents - June 30, 2005	<u>\$ 27,159</u>	<u>\$ 590,090</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (42,651)	\$ 77,759
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities		
Depreciation Expense	22,503	
Net Cash Provided (Used) By Operating Activities	<u>\$ (20,148)</u>	<u>\$ 77,759</u>

The accompanying notes are an integral part of the financial statements.

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CHRISTIAN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

CHRISTIAN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	<u>Agency Fund</u>
	Dog
	Warden
	<u>Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 4,918
Total Assets	<u>4,918</u>
Liabilities	
Amounts Held In Custody For Others	<u>4,918</u>
Total Liabilities	<u>4,918</u>
Net Assets	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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**CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Christian County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

Blended Component Units

Christian County Public Courthouse Corporation

The Christian County Fiscal Court appoints the Public Courthouse Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Courthouse Corporation. Financial information for the Public Courthouse Corporation is blended within Christian County's financial statements. All activities of the Public Courthouse Corporation are accounted for within a major (debt service) fund.

Christian County Industrial Authority

The Christian County Fiscal Court appoints the Industrial Authority's governing board and has the ability to impose its will on the governing board. Financial information for the Industrial Authority is blended within Christian County's financial statements. All activities of the Industrial Authority are accounted for within a major (special revenue) fund.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Kentucky law provides for election of the officials below from the geographic area constituting Christian County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These officials are not part of the Christian County reporting entity.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenditures of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for coal and mineral tax revenues. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Revolving Loan Fund - The primary purpose of this fund is to account for Community Development Block Grant Revolving Loan proceeds. Loans are made from this fund to local businesses that meet the Governor's Office for Local Development criteria for small business loans. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

E911 Fee Fund - The primary purpose of this fund is to account for 911 tax revenues and emergency services expenditures.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Industrial Authority Revolving Loan Fund - The purpose of this fund is to account for the activities of the Christian County Industrial Authority, a blended component unit of the county. Activity of this fund includes the repayment of small business loans made by the Revolving Loan Fund. On November 12, 2003, the Governor's Office for Local Development approved an ordinance allowing this activity.

Public Courthouse Corporation Fund - The purpose of this fund is to account for the activities of the Public Courthouse Corporation, a blended component unit of the county. The Public Courthouse Corporation issues debt to build major facilities or additions. The Christian County Public Courthouse Corporation has entered into a lease/sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (the "AOC"), in which the AOC wishes to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the County. This lease/sublease agreement expires every two years.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Revolving Loan Fund, E-911 Fee Fund, and the Industrial Authority Revolving Loan Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Public Courthouse Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenue of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund, the Dog Warden Fund, is used to account for dog fees held by the dog warden, for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

Internal Service Fund

The primary government reports the following internal service fund:

Health Insurance Fund - The Fiscal Court maintains this internal service fund to account for the health insurance provided for other funds, on a cost reimbursement basis.

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	50,000	10-75
Building Improvements	50,000	10-75
Machinery and Equipment	5,000	3-25
Vehicles	5,000	2-40
Infrastructure	25,000	10-50

GASB 34 allows the government to report part of the infrastructure assets at transition. The government has included infrastructure assets purchased this year, which includes bridges and roads. The county has four additional years to add infrastructure assets acquired between 1980 and 2001.

F. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance, if applicable.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

I. Related Organizations and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Christian County Water District is considered a related organization of Christian County Fiscal Court.

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. Based on these criteria, the following are considered jointly governed organizations of the Christian County Fiscal Court: Hopkinsville-Christian County Airport; Hopkinsville-Christian County Ambulance Service; Hopkinsville-Christian County Communication Center; Hopkinsville-Christian County Convention and Visitors Center; Hopkinsville-Christian County Economic Development Council; Hopkinsville-Christian County Public Library; Hopkinsville-Christian County Recreation Commission; Hopkinsville-Christian County Senior Citizens; and Hopkinsville-Christian County Planning Commission.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Notes Receivable

- A. The County loaned \$60,000 to BuyRite Parts on February 6, 1998, for the purpose of purchasing real estate and improvements. Terms of the agreement stipulate a 10-year repayment schedule at 5.5 percent interest. Records indicate that BuyRite Parts is in substantial compliance with this agreement. As of June 30, 2005, principal balance due was \$19,321.
- B. The County loaned \$100,000 to Ag Spray Equipment, Inc., on October 6, 1998, for the purpose of financing a building and real estate. Terms of the agreement stipulate a 10-year repayment schedule at 5.5 percent interest. Records indicate that Ag Spray Equipment, Inc., is in substantial compliance with this agreement. As of June 30, 2005, principal balance due was \$39,557.
- C. The County loaned \$100,000 to Paris Packaging on July 21, 2003, for the purpose of financing the acquisition of certain assets. Terms of the agreement stipulate a 5-year repayment schedule at 3.0 percent interest. Records indicate that Paris Packaging is in substantial compliance with this requirement. As of June 30, 2005, principal balance due was \$63,426.
- D. The County loaned \$300,000 to Commonwealth Agri Energy, LLC on April 20, 2004 for the purpose of constructing an Ethanol production facility. Terms of the agreement stipulate a 10-year repayment schedule at 3.0 percent interest. Records indicate that Commonwealth Agri Energy, LLC is one month delinquent on principal payments. As of June 30, 2005, principal balance due was \$297,110.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Notes Receivable (Continued)

These receivables are due to the Industrial Authority Revolving Loan Fund. Notes receivable, as of year-end for the government's individual major funds and all other funds, in the aggregate, including the delinquent principal payments are as follows:

	<u>Amount</u>
Short Term	\$ 66,296
Long Term	<u>353,118</u>
Total Receivables	<u><u>\$ 419,414</u></u>

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Reporting Entity</u>		
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>
			<u>Ending Balance</u>
<u>Governmental Activities:</u>			
Capital Assets Not Being Depreciated:			
Construction in Progress	\$ 367,345	\$ 44,753	\$ (367,345)
Land	2,263,092		2,263,092
Total Capital Assets Not Being Depreciated	<u>2,630,437</u>	<u>44,753</u>	<u>(367,345)</u>
Capital Assets, Being Depreciated:			
Land Improvements	81,465	43,631	125,096
Buildings	29,457,130	367,345	29,824,475
Furniture and Office Equipment	625,674		625,674
Vehicles and Equipment	2,048,814	427,635	(46,487)
Infrastructure	4,109,504	764,659	4,874,163
Total Capital Assets Being Depreciated	<u>36,322,587</u>	<u>1,603,270</u>	<u>(46,487)</u>
Less Accumulated Depreciation For:			
Land Improvements	(13,928)	(10,057)	(23,985)
Buildings	(2,456,556)	(402,901)	(2,859,457)
Furniture and Office Equipment	(389,602)	(56,793)	(446,395)
Vehicles and Equipment	(1,133,730)	(238,267)	29,983
Infrastructure	(780,401)	(463,046)	(1,243,447)
Total Accumulated Depreciation	<u>(4,774,217)</u>	<u>(1,171,064)</u>	<u>29,983</u>
Total Capital Assets, Being Depreciated, Net	<u>31,548,370</u>	<u>432,206</u>	<u>(16,504)</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 34,178,807</u></u>	<u><u>\$ 476,959</u></u>	<u><u>\$ (383,849)</u></u>
			<u><u>\$ 34,271,917</u></u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2005 was as follows: (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 156,814	\$ 76,963	\$	\$ 233,777
Total Capital Assets Being Depreciated	156,814	76,963		233,777
Less Accumulated Depreciation For:				
Vehicles and Equipment	(29,535)	(22,503)		(52,038)
Total Accumulated Depreciation	(29,535)	(22,503)		(52,038)
Total Capital Assets, Being Depreciated, Net	127,279	54,460		181,739
Business-Type Activities Capital Assets, Net	\$ 127,279	\$ 54,460	\$ 0	\$ 181,739

Depreciation expense was charged to functions of the government as follows:

Governmental Activities:

General Government	\$ 368,307
Protection to Persons and Property	194,568
General Health and Sanitation	14,132
Social Services	22,075
Recreation and Culture	13,192
Roads, Including Depreciation of General Infrastructure Assets	<u>558,790</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,171,064</u>

Business-Type Activities

Jail Canteen Fund	<u>\$ 22,503</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 22,503</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt

A. General Obligation Bonds, Series 1998

The county issued general obligation bonds in the amount of \$4,705,000 on December 1, 1998. The proceeds of the bonds were used to expand, renovate, and improve the Christian County Detention Facility. The bonds bear interest between 3.5% and 4.2%. Payments are due on December 1st and June 1st of each year. The maturity date of the bonds is December 1, 2014. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The balance of the general obligation bonds as of June 30, 2005 was \$ 3,445,000. Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2006	\$ 136,304	\$ 285,000
2007	124,704	295,000
2008	112,604	310,000
2009	99,924	320,000
2010	86,534	335,000
2011-2015	205,712	1,900,000
Totals	<u>\$ 765,782</u>	<u>\$ 3,445,000</u>

B. Revenue Bonds, Series 2000

The Christian County Public Courthouse Corporation entered into a bond issue titled, Christian County Public Courthouse Corporation Lease Revenue Bonds (Courts Facility Project), Series 2000 bonds on November 1, 2000 for the purpose of financing the cost of the acquisition, construction, and equipping of the Justice Center, a court facility, and complete renovations of the Christian County Corrections Center. The issue amount of the bonds was \$18,565,000. The bonds bear interest between 5.1% and 5.25%.

The Christian County Public Courthouse Corporation entered into a lease/sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (the "AOC"), in which the AOC wishes to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the County. AOC agreed to pay the County sufficient periodic amounts to service \$17,740,000 of the total debt principal of \$18,565,000. The Christian County Fiscal Court has agreed to pay the remainder of the principal of this bond issue in the amount of \$825,000.

The balance of the revenue bonds as of June 30, 2005 was \$ 16,950,000. Annual debt service requirements to maturity for the general obligation bonds are as follows:

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

B. Revenue Bonds, Series 2000 (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2006	\$ 850,881	\$ 590,000
2007	820,506	625,000
2008	788,506	655,000
2009	754,881	690,000
2010	719,632	720,000
2011-2015	2,998,523	4,215,000
2016-2020	1,770,644	5,450,000
2021-2024	321,953	4,005,000
Totals	<u>\$ 9,025,526</u>	<u>\$ 16,950,000</u>

C. Jail Renovation

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. On June 18, 1992, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$4,081,000 at a 5.863% effective interest rate. The terms of the financing agreement was for 25 years. The maturity date of the financing obligation is February 1, 2017. The balance of the obligation at June 30, 2005 was \$2,702,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2006	\$ 139,802	\$ 165,000
2007	130,771	174,000
2008	121,452	184,000
2009	111,411	194,000
2010	100,896	204,000
2011-2015	325,403	1,203,000
2016-2017	33,804	578,000
Totals	<u>\$ 963,539</u>	<u>\$ 2,702,000</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

D. Sheriff's Office Renovation

On August 15, 2003, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$374,769 at a 2.245% effective interest rate. The financing obligation is for the renovation of the Sheriff's office. The maturity date of the obligation is September 20, 2023. The balance of the obligation at June 30, 2005 was \$350,120. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2006	\$ 17,362	\$ 12,034
2007	16,736	12,653
2008	16,108	13,302
2009	15,417	13,985
2010-2014	14,700	14,703
2011-2015	61,393	85,647
2016-2020	37,098	110,013
2021-2024	7,876	87,783
Totals	<u>\$ 186,690</u>	<u>\$ 350,120</u>

E. Police Vehicles - 2002

On July 23, 2002, the fiscal court entered into a lease-purchase agreement with Farmer's Bank and Capital Trust for the purchase of vehicles for the county police office. The lease term was for three years, with the balance to be paid in full on July 23, 2005. The balance of the financing obligation at June 30, 2005 was \$5,322. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2006	\$ 270	\$ 5,322
Totals	<u>\$ 270</u>	<u>\$ 5,322</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

F. Jail Vehicles - 2003

On February 25, 2003, the fiscal court entered into a lease-purchase agreement with Farmer's Bank and Capital Trust for the purchase of vehicles for the county jail. The lease term was for three years, with the balance to be paid in full on February 25, 2006. The balance of the financing obligation at June 30, 2005 was \$11,301. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2006	\$ 572	\$ 11,301
Totals	<u>\$ 572</u>	<u>\$ 11,301</u>

G. Sheriff's Vehicles - 2003

On June 18, 2003, the fiscal court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of vehicles for the county sheriff's office. The lease term was for three years, with the balance to be paid in full on January 20, 2006. The balance of the financing obligation at June 30, 2005 was \$11,585. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2006	\$ 352	\$ 11,585
Totals	<u>\$ 352</u>	<u>\$ 11,585</u>

H. Jail Vehicles - 2005

On March 11, 2005, the fiscal court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$40,070 at a 2.175% effective interest rate. The lease is for the purchase of two vehicles for the jail. The maturity date of the lease is March 20, 2009. The balance of the financing obligation at June 30, 2005 was \$37,701. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2006	\$ 1,688	\$ 9,395
2007	1,206	9,877
2008	700	10,385
2009	178	8,044
Totals	<u>\$ 3,772</u>	<u>\$ 37,701</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

I. Sheriff Vehicles - 2005

On April 29, 2005, the fiscal court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$176,236 at a 4.25% effective interest rate. The lease is for the purchase of nine vehicles for the sheriff. The maturity date of the lease is July 20, 2009. The balance of the financing obligation at June 30, 2005 was \$176,236. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2006	\$ 8,634	\$ 40,000
2007	4,844	45,000
2008	2,581	45,000
2009	203	46,236
Totals	<u>\$ 16,262</u>	<u>\$ 176,236</u>

J. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 3,720,000	\$	\$ 275,000	\$ 3,445,000	\$ 285,000
Lease Revenue Bonds	17,515,000		565,000	16,950,000	590,000
Financing Obligations:					
Kentucky Association Of Counties Leasing Trust Program	3,245,245	216,306	183,909	3,277,642	238,014
Farmers Bank and Capital Trust	82,562		65,939	16,623	16,623
Planters Bank and Trust	6,109		6,109		
Governmental Activities Long-term Liabilities	<u>\$ 24,568,916</u>	<u>\$ 216,306</u>	<u>\$ 1,095,957</u>	<u>\$ 23,689,265</u>	<u>\$ 1,129,637</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 6. Short-term Debt

In July 2003, Christian County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$5,336,500, with principal being due in January 2005. While the County did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$1,592.

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Kentucky Advance Revenue Program	\$ 0	\$ 5,336,500	\$ 5,336,500	\$ 0
Governmental Activities				
Short-term Liabilities	<u>\$ 0</u>	<u>\$ 5,336,500</u>	<u>\$ 5,336,500</u>	<u>\$ 0</u>

Note 7. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

On December 19, 2000, the Christian County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 8. Deferred Compensation (Continued)

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2005, Christian County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Health Insurance

Christian County Fiscal Court elected to begin a partially self-funded health insurance plan beginning in fiscal year ended June 30, 1998. This partially self-funded insurance plan covers all county employees, and the county pays for each county employee's individual coverage. Christian County contracted with North American Administrators to administer the employee benefit plan for the 2004-2005 fiscal year.

This partially self-funded insurance plan has two distinct components that the fiscal court must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the county's claims exposure on an individual and aggregate basis. Incurred fixed costs for the fiscal year ended June 30, 2005 were \$304,639. The second component is the claims cost, all of which Christian County is responsible to pay as they incur. Once an individual exceeds \$30,000 in claims or the County's aggregate claims exceed the predetermined maximum, then the County will receive reimbursements from the reinsurance carrier. Incurred claims for the fiscal year ended June 30, 2005 were \$1,072,539 and reimbursements were \$252,053. Christian County Fiscal Court's contract with North American Administrators has no terminal liability provision. The Court would be responsible to pay all run-out claims after termination. The Health Insurance Fund had a balance of \$590,090 as of June 30, 2005.

In prior years the Health Insurance Fund was treated as a major special revenue fund. However, based upon GASBS 34, the Health Insurance Fund should be treated as an Internal Service Fund. Beginning in fiscal year ended June 30, 2005 and hereafter, the Health Insurance Fund will be treated as an Internal Service Fund.

Note 11. Related Party Transactions

- A. The Christian County Fiscal Court entered into a rental transaction with Glass Ave., Inc. for the placement of voting machines. Magistrate James Fleming is a part owner of Glass Ave., Inc. Christian County Fiscal paid Court Glass Ave., Inc. \$375 during FYE June 30, 2005.
- B. The Christian County Jail Commissary entered into purchase transactions with BSB Sales for snacks sold at the Jail. Magistrate Myron Dossett is a co-owner of BSB Sales. The Jail Commissary paid BSB sales \$3,368 during FYE June 30, 2005.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 12. Prior Year Net Asset Ending Balances Restated

The prior year net asset ending balances have been restated for the following:

	Governmental Activities	Business- Type Activities	Total Net Assets
June 30, 2004, Net Assets	\$ 14,566,126	\$ 219,742	\$ 14,785,868
Jail Commissary Assets reported as Jail Fund Assets in prior years	(42,280)	42,280	0
Jail Commissary Assets' Depreciation reported as Governmental Activities Depreciation in prior years	11,825	(11,825)	0
Assets erroneously included in prior years	(44,854)		(44,854)
Assets omitted in prior years	77,000		77,000
Accumulated Depreciation omitted in prior years	(53,900)		(53,900)
Jail Commissary Outstanding Check Posted Incorrectly		1,247	1,247
Decrease Accumulated Depreciation-			
Furniture and Office Equipment	6,932		6,932
Vehicles and Equipment	33,852		33,852
Increase Accumulated Depreciation - Vehicles and Equipment	(7,626)		(7,626)
Restated Net Asset Balances as of June 30, 2004	<u>\$ 14,547,075</u>	<u>\$ 251,444</u>	<u>\$ 14,798,519</u>

In prior years the Health Insurance Fund was treated as a major special revenue fund. However, based upon GASBS 34, the Health Insurance Fund should be treated as an Internal Service Fund. Beginning in fiscal year ended June 30, 2005 and hereafter, the Health Insurance Fund will be treated as an Internal Service Fund.

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2005

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,301,500	\$ 3,301,500	\$ 3,593,162	\$ 291,662
In Lieu Tax Payments	152,414	152,414	172,191	19,777
Excess Fees	363,500	363,500	384,840	21,340
Licenses and Permits	73,400	73,400	70,752	(2,648)
Intergovernmental Revenue	4,438,260	4,438,260	1,784,184	(2,654,076)
Charges for Services	194,300	194,300	214,204	19,904
Miscellaneous	202,187	202,187	162,658	(39,529)
Interest	14,900	14,900	42,086	27,186
Total Revenues	<u>8,740,461</u>	<u>8,740,461</u>	<u>6,424,077</u>	<u>(2,316,384)</u>
EXPENDITURES				
General Government	1,989,232	1,678,902	1,674,804	4,098
Protection to Persons and Property	747,960	759,280	759,280	
General Health and Sanitation	293,579	216,546	216,546	
Social Services	74,014	38,802	38,802	
Recreation and Culture	107,715	151,716	151,716	
Airports	28,250	25,863	25,863	
Debt Service	25,016	24,895	24,895	
Capital Projects	3,586,693	656,173	656,173	
Administration	1,343,754	4,644,036	1,080,469	3,563,567
Total Expenditures	<u>8,196,213</u>	<u>8,196,213</u>	<u>4,628,548</u>	<u>3,567,665</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>544,248</u>	<u>544,248</u>	<u>1,795,529</u>	<u>1,251,281</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds			12,267	12,267
Transfers to Other Funds	(1,241,055)	(1,241,055)	(860,171)	380,884
Total Other Financing Sources (Uses)	<u>(1,241,055)</u>	<u>(1,241,055)</u>	<u>(847,904)</u>	<u>393,151</u>
Net Changes in Fund Balances	(696,807)	(696,807)	947,625	1,644,432
Fund Balances - Beginning	<u>696,807</u>	<u>696,807</u>	<u>1,743,668</u>	<u>1,046,861</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,691,293</u>	<u>\$ 2,691,293</u>

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,866,195	\$ 1,866,195	\$ 1,675,143	\$ (191,052)
Miscellaneous	8,600	8,600	62,774	54,174
Interest	1,500	1,500	4,454	2,954
Total Revenues	1,876,295	1,876,295	1,742,371	(133,924)
EXPENDITURES				
Roads	1,780,594	1,318,991	1,318,991	
Capital Projects	300,000	274,224	274,224	
Administration	159,236	646,615	125,290	521,325
Total Expenditures	2,239,830	2,239,830	1,718,505	521,325
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(363,535)	(363,535)	23,866	387,401
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	514,089	514,089	150,000	(364,089)
Transfers to Other Funds	(160,554)	(160,554)	(111,822)	48,732
Total Other Financing Sources (Uses)	353,535	353,535	38,178	(315,357)
Net Changes in Fund Balances	(10,000)	(10,000)	62,044	72,044
Fund Balances - Beginning	10,000	10,000	11,097	1,097
Fund Balances - Ending	\$ 0	\$ 0	\$ 73,141	\$ 73,141

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 3,883,306	\$ 3,883,306	\$ 3,810,977	\$ (72,329)
Charges for Services	693,000	693,000	1,393,384	700,384
Miscellaneous	206,600	206,600	242,678	36,078
Interest	1,000	1,000	7,449	6,449
Total Revenues	4,783,906	4,783,906	5,454,488	670,582
EXPENDITURES				
Protection to Persons and Property	3,856,125	3,838,683	3,838,683	
Debt Service	807,088	762,216	698,291	63,925
Administration	492,142	554,456	456,815	97,641
Total Expenditures	5,155,355	5,155,355	4,993,789	161,566
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(371,449)	(371,449)	460,699	832,148
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	(501,551)	(501,551)	(555,910)	(54,359)
Transfers from Other Funds	448,000	448,000	448,000	
Total Other Financing Sources (Uses)	(53,551)	(53,551)	(107,910)	(54,359)
Net Changes in Fund Balances	(425,000)	(425,000)	352,789	777,789
Fund Balances - Beginning	425,000	425,000	234,994	(190,006)
Fund Balances - Ending	\$ 0	\$ 0	\$ 587,783	\$ 587,783

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	\$ 487,340	\$ 487,340	\$ 258,754	\$ (228,586)
Interest	50	50	102	52
Total Revenues	<u>487,390</u>	<u>487,390</u>	<u>258,856</u>	<u>(228,534)</u>
EXPENDITURES				
General Government	163,579	163,579	36,812	126,767
Roads	345,811	345,811	253,201	92,610
Total Expenditures	<u>509,390</u>	<u>509,390</u>	<u>290,013</u>	<u>219,377</u>
Net Changes in Fund Balances	(22,000)	(22,000)	(31,157)	(9,157)
Fund Balances - Beginning	<u>22,000</u>	<u>22,000</u>	<u>42,159</u>	<u>20,159</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,002</u>	<u>\$ 11,002</u>

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

REVOLVING LOAN FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 100	\$ 100	\$	\$ (100)
Interest	3,000	3,000	3,193	193
Total Revenues	3,100	3,100	3,193	93
EXPENDITURES				
General Government	828,100	828,100	15,000	813,100
Total Expenditures	828,100	828,100	15,000	813,100
Net Changes in Fund Balances	(825,000)	(825,000)	(11,807)	813,193
Fund Balances - Beginning	825,000	825,000	527,373	(297,627)
Fund Balances - Ending	\$ 0	\$ 0	\$ 515,566	\$ 515,566

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

E-911 FEE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 336,000	\$ 336,000	\$ 356,970	\$ 20,970
Miscellaneous	100	100		(100)
Interest	4,150	4,150	12,646	8,496
Total Revenues	340,250	340,250	369,616	29,366
EXPENDITURES				
Protection to Persons and Property	428,505	290,607	290,607	
Administration	10,000	147,898		147,898
Total Expenditures	438,505	438,505	290,607	147,898
Net Changes in Fund Balances	(98,255)	(98,255)	79,009	177,264
Fund Balances - Beginning	98,255	98,255	1,007,939	909,684
Fund Balances - Ending	\$ 0	\$ 0	\$ 1,086,948	\$ 1,086,948

CHRISTIAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Modified Cash Basis differs from the budgetary comparison schedules of the General Fund, Road Fund, and Jail Fund which have been modified to reflect the following changes: (see following pages)

CHRISTIAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2005
(Continued)

GENERAL FUND	Actual Amounts, (Budgetary Basis)	Adjustment for Health Insurance and Capital Expenditures	Adjusted Actual
REVENUES			
Taxes	\$ 3,593,162	\$	\$ 3,593,162
In Lieu Tax Payments	172,191		172,191
Excess Fees	384,840		384,840
Licenses and Permits	70,752		70,752
Intergovernmental Revenue	1,784,184		1,784,184
Charges for Services	214,204		214,204
Miscellaneous	162,658		162,658
Interest	42,086		42,086
Total Revenues	6,424,077		6,424,077
EXPENDITURES			
General Government	1,681,035		1,681,035
Protection to Persons and Property	759,280		759,280
General Health and Sanitation	216,546		216,546
Social Services	38,802		38,802
Recreation and Culture	151,716		151,716
Airports	25,863		25,863
Debt Service	18,664		18,664
Capital Projects	656,173	176,236	832,409
Administration	1,080,469	255,940	1,336,409
Total Expenditures	4,628,548	432,176	5,060,724
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	1,795,529	(432,176)	1,363,353
OTHER FINANCING SOURCES (USES)			
Financing Agreement Proceeds		176,236	176,236
Transfers From Other Funds	12,267		12,267
Transfers to Other Funds	(860,171)	255,940	(604,231)
Total Other Financing Sources (Uses)	(847,904)	432,176	(415,728)
Net Changes in Fund Balances	947,625		947,625
Fund Balances - Beginning	1,743,668		1,743,668
Fund Balances - Ending	\$ 2,691,293	\$ 0	\$ 2,691,293

CHRISTIAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2005
(Continued)

ROAD FUND	Actual Amounts, (Budgetary Basis)	Adjustment for Health Insurance Fund	Adjusted Actual
REVENUES			
Intergovernmental Revenue	\$ 1,675,143	\$	\$ 1,675,143
Miscellaneous	62,774		62,774
Interest	4,454		4,454
Total Revenues	<u>1,742,371</u>		<u>1,742,371</u>
EXPENDITURES			
Roads	1,318,991		1,318,991
Capital Projects	274,224		274,224
Administration	125,290	111,822	237,112
Total Expenditures	<u>1,718,505</u>	<u>111,822</u>	<u>1,830,327</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>23,866</u>	<u>(111,822)</u>	<u>(87,956)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	150,000		150,000
Transfers to Other Funds	(111,822)	111,822	0
Total Other Financing Sources (Uses)	<u>38,178</u>	<u>111,822</u>	<u>150,000</u>
Net Changes in Fund Balances	62,044		62,044
Fund Balances - Beginning	<u>11,097</u>		<u>11,097</u>
Fund Balances - Ending	<u>\$ 73,141</u>	<u>\$ 0</u>	<u>\$ 73,141</u>

CHRISTIAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2005
(Continued)

JAIL FUND	Actual Amounts, (Budgetary Basis)	Adjustment for Health Insurance and Capital Expenditures	Adjusted Actual
REVENUES			
Intergovernmental Revenue	\$ 3,810,977	\$	\$ 3,810,977
Charges for Services	1,393,384		1,393,384
Miscellaneous	242,678		242,678
Interest	7,449		7,449
Total Revenues	5,454,488		5,454,488
EXPENDITURES			
Protection to Persons and Property	3,838,683		3,838,683
Debt Service	698,291		698,291
Capital Projects		40,070	40,070
Administration	456,815	491,985	948,800
Total Expenditures	4,993,789	532,055	5,525,844
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	460,699	(532,055)	(71,356)
OTHER FINANCING SOURCES (USES)			
Financing Agreement Proceeds		40,070	40,070
Transfers from Other Funds	448,000		448,000
Transfers to Other Funds	(555,910)	491,985	(63,925)
Total Other Financing Sources (Uses)	(107,910)	532,055	424,145
Net Changes in Fund Balances	352,789		352,789
Fund Balances - Beginning	234,994		234,994
Fund Balances - Ending	\$ 587,783	\$ 0	\$ 587,783

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the governmental activities, the business-type activities, and each major fund of Christian County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 28, 2006. Christian County's financial statements are prepared in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Christian County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Christian County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 28, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CHRISTIAN COUNTY FISCAL COURT

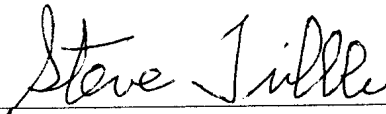
**For The Fiscal Year Ended
June 30, 2005**

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CHRISTIAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2005

The Christian County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer